

CARLISLE CITY COUNCIL

Report to:- **The Mayor and Members of The City Council**

Date of Meeting:- **27 April 2004**

Agenda Item No:-

Public

Policy

Delegated Yes

Accompanying Comments and Statements

Required

Included

Environmental Impact Statement:

No

No

Corporate Management Team Comments:

No

No

Financial Comments:

Yes

Yes

Legal Comments:

No

No

Personnel Comments:

No

No

Impact on Customers:

No

No

Title:-

STATEMENT OF ACCOUNTS 2002/03 (AMENDED)

Report of:-

The Head of Finance

Report reference:-

FS4/04

Summary:-

On 28 August 2003 the Executive approved the draft Statement of Accounts for 2002/03, subject to Audit (FS29/03). The Audit is now complete and is subject to Council approving the SAS610 Statement considered elsewhere on the agenda and the amended Statements included within this report. Once approved the Audit Commission will issue their Audit Certificate and formal opinion on the accounts. The main changes to the Statements are detailed in this report and a full copy of the Statements is attached at Appendix 1.

Recommendation:-

Council is requested to approve these amended Statements for 2002/03.

Once the amended Statements have been approved the Audit Commission will issue their Audit Certificate and formal opinion on the accounts.

Contact Officer: Alison Taylor

Ext: 7280

CITY OF CARLISLE

To: The Mayor and Members of
The City Council
27 April 2004

FS4/04

STATEMENT OF ACCOUNTS 2002/03 (AMENDED)

1. INTRODUCTION

- 1.1 On 28 August 2003, as part of the requirements under the Accounts and Audit Regulations 1996 and 2003, the Executive approved the Statement of Accounts for 2002/03 subject to Audit (FS29/03).
- 1.2 As previously notified to Council Members the audit opinion on the Statements was delayed pending resolution of several queries relating specifically to the LSVT transfer. These queries are now fully resolved and the audit is complete.
- 1.3 Council now need to approve both:
 - the SAS610 Statement considered elsewhere on the agenda (FS3/04), and
 - the amended Statements attached at Appendix 1 to this report.
- 1.4 There is a new requirement under the Accounts and Audit Regulations 2003 that the Statements need to be signed by the chair of the meeting at which the Statements are approved.

2. AMENDMENT TO THE ACCOUNTS

- 2.1 The main changes to the Statements relate to the accounting treatment of income and costs associated with the transfer of the housing stock to Carlisle Housing Association (CHA) on December 2002. Many of the amendments are of a presentational nature relating specifically to the use of the capital receipt generated by the transfer, the pension fund deficit for transferring employees, the development agreement included within the contract documentation (VAT shelter), and the impact the transfer has had on asset valuations, impairment reviews and depreciation.
- 2.2 Although there have been several significant adjustments to the accounts these amendments have no **material** impact on the Councils balances and reserves. The specific balances and useable reserves affected are detailed overleaf.

Balance/Reserve	Draft Statements subject to Audit £000	Audited Statements £000	Increase/ (reduction) in balances
General Fund Unapplied	7,903	7,693	(210)
Housing Revenue Account	2,759	3,390	631
Total			421

The net increase in balances of £420,927 can be explained as follows:

- £122,964 bad debt provision overstated relating to former tenants arrears
- £339,427 understatement of HRA subsidy income due to the Council (Draft Statements were based upon estimated figures)
- £41,464 overstatement of amount receivable under the LSVT contract (overstatement of property numbers on completion statement)

2.3 The increase in reserves would have normally been picked up and reflected in 2003/04 accounts but due to the delay in finalising the 2002/03 Statements the District Auditor has requested that these alteration be made in 2002/03.

2.4 There are still several issues outstanding with Carlisle Housing Association following the transfer process which it is anticipated will be resolved within the next few weeks, and which may have cost implications for the Council. Any potential costs incurred by the Council will be offset against the increased reserves and balances, and the net effect will be reported back as part of the closure of the 2003/04 Statement of Accounts.

3. RECOMMENDATION

3.1 Council is requested to approve these amended Statements for 2002/03.

Once the amended Statements have been approved the Audit Commission will issue their Audit Certificate and formal opinion on the accounts.

ANGELA BROWN
Head of Finance

Contact Officer: Alison Taylor

Ext: 7280

CITY OF CARLISLE

STATEMENT OF ACCOUNTS

2002/03

STATEMENT OF ACCOUNTS

2002/03

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SECTION 1 - FOREWORD

1.1 Introduction

This publication has been produced by the Head of Finance and contains the Council's accounts for the year ended 31 March 2003. This section of the publication aims to provide a brief explanation of the Council's financial activities and to provide a guide to the significant matters reported in the accounts.

The accounts, which are subject to audit by the District Auditor appointed by the Audit Commission, consist of the following:

- i. Statement of Accounting Policies
This explains the basis on which the accounts have been prepared.
- ii. Consolidated Revenue Account
This indicates the net cost in the year of the functions for which the Authority is responsible and demonstrates how that cost has been financed from central government grants and income from local taxpayers. It brings together expenditure and income relating to all of the local authority's functions and shows movements to and from reserves and balances.
- iii. Housing Revenue Account
This covers the activities of the City Council as landlord of the housing stock, up to the date of transfer on 9 December 2002, and reflects a statutory obligation to account separately for local authority housing provision.
- iv. Summary DSO Revenue and Appropriation Account
The information required in the summary DSO Revenue and Appropriation Account reflects the accounts for the Direct Service Organisations. The Direct Services Organisations undertake Building Maintenance, Highways, Grounds, Street Cleaning, Building Cleaning, Refuse Collection and supervision of Car Parks. The Local Government Act 1999 repealed the compulsory competitive tendering provisions of the Local Government Planning and Land Act 1980 with effect from 2 January 2000. Although there is no legal requirement to produce revenue accounts and financial objectives statements in 2002/03 CIPFA advocates publication of a summary DSO Revenue and Appropriation Account in the 2002/03 Statement of Accounts.
- v. The Collection Fund
This account represents the statutory requirement for billing authorities to maintain a separate Collection Fund which shows the transactions for the collection and distribution of amounts due in respect of Council Tax and Non-Domestic Rates (NDR).

- vi. Consolidated Balance Sheet
This is the Balance Sheet of all the City Council's activities and shows the balances and reserves at the authority's disposal, its long term indebtedness and the fixed and net current assets employed by it as at the 31 March 2003.
- vii. Statement of Total Movement in Reserves
This brings together all the recognised gains and losses of the City Council during the year arising from movements in capital and revenue reserves.
- viii. Cash Flow Statement
This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
- ix. Statement of Responsibilities for the Statement of Accounts
This sets out the respective responsibilities of the Authority and the Head of Finance for the Accounts.
- x. Statement on the System of Internal Financial Control
This sets out the framework within which internal financial control is managed and reviewed during the year of account.

1.2 Summary of the Financial Year

2002/03 marked a period of unprecedented change for the Authority. Changes during the year included the transfer of the council's housing stock, the externalisation of leisure facilities as well as a major re-organisation of the Council's management structure. The financial implications of these activities have been incorporated into the accounts as presented.

Large-scale voluntary transfer of 7,174 Councils dwellings to Carlisle Housing Association (CHA) was completed in December 2002 following a ballot of council tenants in July 2002. The first phase of the transfer process was completed on 9th December 2002 with the transfer of dwellings along with approximately 340 housing staff. A further 140 staff transferred on 1 October 2003 following transfer of the Council's building maintenance function to CHA. Details of transactions associated with the LSVT process are summarised in note 10 to the HRA.

2002/03 also saw transfer of responsibility for the operation of the Authority's leisure facilities to Carlisle Leisure Ltd (CLL) from 1 December 2002 under a 15 year leisure management contract. CLL operate as a not for profit organisation and lease the leisure facilities from the Council under a peppercorn rent arrangement. The Council is responsible for the external fabric of the leisure facilities under this management agreement. This transfer of operations will ensure that the leisure facilities continue to fully contribute to the Council's strategic objectives.

1.2.1 Core Financial Facts for 2002/03

Average Council Tax was £1,054.55

Local Tax Base – 31,795.10

Carlisle City Council Budget Requirement - £13.216m

Standard Spending Assessment - £11.268m

Business Rate of 43.7p per £ of Rateable Value

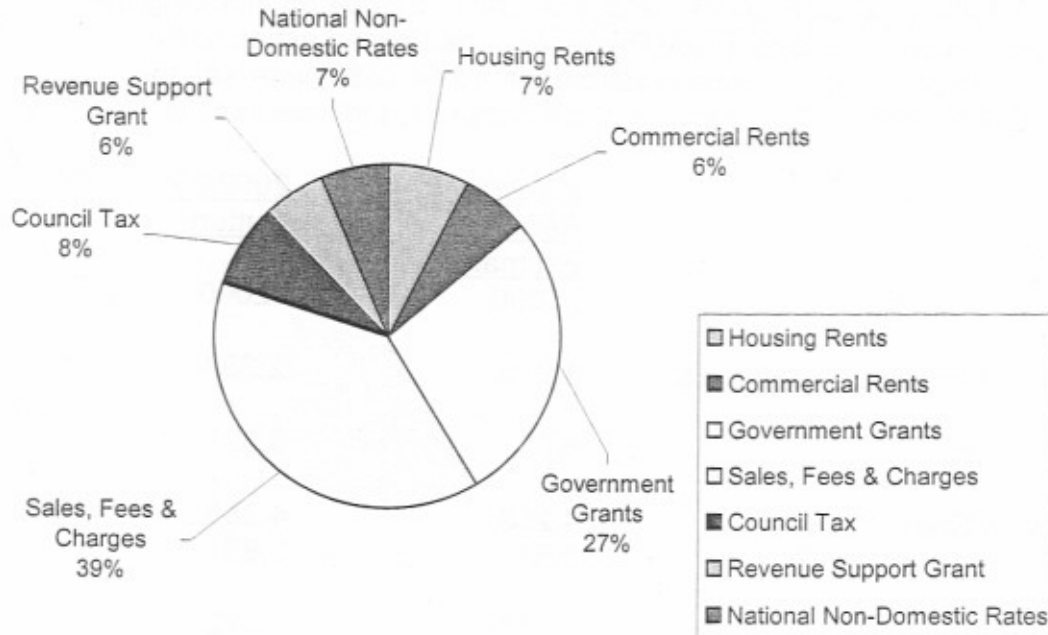
Usable General Fund Reserves at 31 March 2003 (excluding earmarked reserves) - £12.294m

Housing Revenue Account Reserves at 31 March 2003 - £3.390m

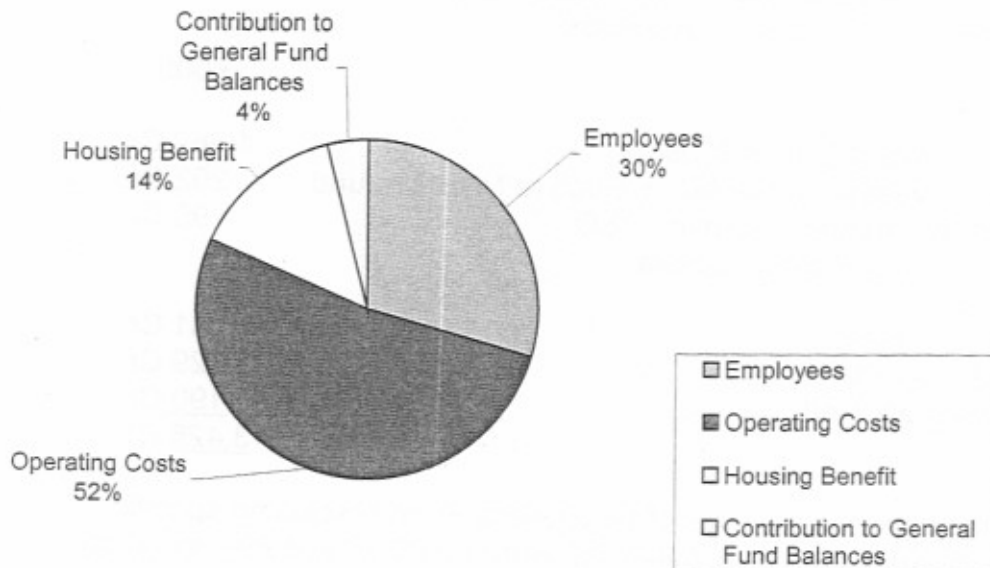
These figures are explained further in the following paragraphs.

The charts below show the major sources of the Council's income and expenditure in 2002/03. They show where the money came from and how the money was spent in percentage terms. The figures are based upon figures contained within the Cash Flow Statement produced elsewhere in this document.

1.2.2 Where the money came from



1.2.3 How the money was spent



1.3 Revenue Expenditure and Financing

Revenue expenditure generally relates to items which are consumed within a year and is financed from council tax, non-domestic rates, government grants, fees and charges for services and other income.

1.3.1 General Fund Revenue Account

The City Council set the Council Tax at an average of £158.11 for the City Council (including Parish Precepts) and at a total of £1,054.55 including the County Council and Cumbria Police Precepts. The revised estimate for 2002/03 envisaged a net revenue requirement of £14.258m whereas the outturn was £10.832m. The financing of the outturn is indicated below.

	<u>2002/03</u> <u>Revised</u> <u>Estimate</u> £000	<u>2002/03</u> <u>Outturn</u> £000
Contributions From/(To) Reserves	1,043	(2,383)
Collection Fund	5,027	5,027
Government Grant - NDR	4,285	4,285
- RSG	3,831	3,831
Council Tax Surplus	<u>72</u>	<u>72</u>
TOTAL FINANCING	<u>£14,258</u>	<u>£10,832</u>

The major reasons for the improvement, represented by the reduced call on Reserves of £3.426m, were as follows:

	£000
Slippage from 2002/03 to 2003/04	1,669 Cr
Increased Investment interest received re NNDR refund	262 Cr
Additional Contribution from the DSO	95 Cr
NNDR refunds on rating appeals:	
Pools	275 Cr
Sands Centre	606 Cr
Reduced use of MRP	329 Cr
Other Changes (Net)	<u>190 Cr</u>
Total	<u>3,426 Cr</u>

The usable revenue reserves of the General Fund (excluding specific Earmarked Reserves) on 1 April 2002 were £9.669m and they stood at £12.294m on 31 March 2003.

1.3.2 Housing Revenue Account

The Account recorded a deficit of £1.007m in 2002/03 against a revised estimated deficit of £1.520m. The main reasons for the overall variance from budget of £0.513m were as follows:

	£000
Additional DSO Contribution	223 Cr
Reduced Revenue Contribution to Capital (deferred to 2003/04)	286 Cr
Management and Support Services	93 Cr
Additional Income received	53 Cr
Repair & Maintenance	(574) Dr
HRA Subsidy (Net)	297 Cr
Other Variations (Net)	<u>135 Cr</u>
Total	<u>513 Cr</u>

The HRA balance on 1 April 2002 was £4.397m and amounted to £3.390m as at 31 March 2003.

1.3.3 Direct Services Organisation

The City Council undertakes the following defined categories of work and they all achieved a surplus as set out below after meeting all the charges under the capital accounting requirements:

	<u>Surplus</u> £000
Building Maintenance	713
Highways	92
Grounds Maintenance	28
Building Cleaning	73
Street Cleaning	89
Refuse Collection	<u>14</u>
Total	<u>1,009</u>

1.3.4 Summary Revenue Budget Analysis

The out-turn for the year compared to the revised budget is shown below.

	<u>General Fund</u> <u>2002/03</u>		<u>HRA</u> <u>2002/03</u>	
	<u>Revised</u> <u>Budget</u> <u>£000</u>	<u>Actual</u> <u>£000</u>	<u>Revised</u> <u>Budget</u> <u>£000</u>	<u>Actual</u> <u>£000</u>
Net Expenditure on Services	15,807	12,643	1,653	1,139
Parish Precept	247	247	0	0
Interest Receivable	-1,796	-2,058	-133	-132
Sub total	14,258	10,832	1,520	1,007
Precept on Collection Fund	-5,027	-5,027	0	0
Government Grant				
• NDR	-4,285	-4,285	0	0
• RSG	-3,831	-3,831	0	0
Council Tax Surplus	-72	-72	0	0
Net Balance for the year	1,043	-2,383	1,520	1,007
Reserves b/fwd	-5,310	-5,310	-4,397	-4,397
Reserves c/fwd	-4,267	-7,693	-2,877	-3,390

1.4 Capital Expenditure and Financing

Capital expenditure relates to the acquisition, creation and enhancement of fixed assets, works and services whose benefits extend beyond one year.

1.4.1 General Fund Capital Expenditure

This totalled £2.430m in 2002/03 and the main items of expenditure were:

	£000
Renovation Grants	401
Disabled Facilities Grant	255
Other Housing Improvement Schemes	153
Planned Major Repairs	126
Disability Discrimination Act	63
Millennium Gateway City	372
Equipment, Vehicles & Plant	202
Other Schemes	<u>858</u>
	<u>2,430</u>

The expenditure was funded from:	£000
Basic Credit Approval	414
Capital Receipts	452
Specified Capital Grant	153
Other Capital Grants	229
Capital Projects Fund	106
Revenue/Renewals Reserve	236
Unfinanced	<u>840</u>
	<u>2,430</u>

Millennium Gateway City Project

The project has been successfully completed to the revised design and at an estimated revised budget of £9.768m of which £6.526m will be met by the City Council. Report LDS 35/03 and FS 19/03 sets out the negotiations still underway with the contractor for the final invoice to be submitted by them. The worst case projection may mean an additional requirement of £0.172m all of which will fall to the Council. The actual position for 2002/03 shows an underspend of £0.739m however £0.632m of this represents post excavation archaeological work planned to take place over the next 3 years. The balance is required to fund other outstanding commitments.

1.4.2 Housing Revenue Account Capital

Capital Expenditure totalled £77.708m in 2002/03 and included the following:

	£000
Development Agreement (CHA) (see note 3 to HRA)	73,798
Improvements to Own Stock	1,332
Capitalised Repairs to Stock	2,330
Other Schemes	248
	<u>77,708</u>

The expenditure was funded from:

	£000
Basic Credit Approval	818
Capital Receipts	75,053
Major Repairs Allowance	1,847
Movement in Unfinanced	(10)
	<u>77,708</u>

1.4.3 Capital Borrowing

The Council is given the powers to borrow money for capital purposes by virtue of Section 43 of the Local Government and Housing Act 1989. External borrowing for capital purposes is normally undertaken from the Public Works Loan Board (PWLB). Transactions during the years were as follows:

	PWLB £000	All Sources £000
Loans outstanding as at 1 April 2002	35,200	50,328
Loans repaid during the year	(22,385) *	(22,388) *
Loans raised during the year	<u>5,600</u>	<u>5,617</u>
Loans outstanding as at 31 March 2003	18,415	33,557

* includes £17.985m HRA debt repaid directly by the ODPM.

1.5 Accounting Policy Information

The accounting policies adopted by the City Council comply with the relevant recommended accounting practices. Details of the Council's policies are set out in pages 11 – 16.

1.6 The Euro

The City Council has nominated a lead Officer with regard to co-ordinating preparations for the Euro. It is intended that the first stage in the preparations for the Council will be in conducting the Euro Audit and an officer working group will be established to co-ordinate the work across the authority at the appropriate time.

1.7 Further Information

Further information regarding the accounts is available on request from the Head of Finance. In addition members of the public have a statutory right to inspect the accounts before the audit and to have a copy of the Statement of Accounts after the audit has been completed.

SECTION 2 – STATEMENT OF ACCOUNTING POLICIES

2.1 General

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2002– A Statement of Recommended Practice (SORP), issued by the Chartered Institute of Public Finance and Accounting (CIPFA). The accounts accord with guidance notes issued by CIPFA on the application of accounting standards and comply with the Best Value Accounting Code of Practice (BVACOP). The Code also constitutes proper practices under Part IV of the Local Government and Housing Act 1989.

This section discloses the specific accounting policies adopted by the Council for the completion of the accounts.

2.2 Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised. De-minimus levels have been set at:

- (i) Expenditure on vehicles, plant and equipment (individual items) £5,000.
- (ii) Expenditure on land, buildings and other structures £20,000.

Although in some instances assets below these values have been capitalised.

Fixed assets are valued and included in the balance sheet on the basis recommended by the CIPFA Code of Practice and in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual:

- (i) Operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use.
- (ii) Non-operational assets are valued and included in the balance sheet on the basis of open market value.
- (iii) Infrastructure and community assets are included in the balance sheet at historic cost for any acquisitions since 1 April 1994.

In accordance with the CIPFA recommended practice on capital accounting, assets are revalued on a cyclical basis over 5 years.

2.3 Charges for Fixed Assets (Capital Charges)

The General Fund and DSO revenue accounts include capital charges made to the users of fixed assets in the provision of services. The total charge covers the annual provision for depreciation (where appropriate) plus a notional interest charge based upon net asset values. The notional rates of interest used in 2002/03 are 6% for operational and non-operational assets and 6% for infrastructure and community assets. External interest payable and provision for depreciation are debited to the Asset Management Revenue Account whilst the capital charges met by services are credited to the Account. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

2.4 Depreciation

Depreciation is a notional charge for the wearing out, consumption or reduction in the economic useful life of a fixed asset. It has been charged on those assets that have a finite useful life, excluding land, and is calculated by taking the valuation and apportioning it over the life of the asset.

<u>Asset Category</u>	<u>Rate</u>	<u>Basis</u>
Operational Dwellings	*	Straight line
Operational Land & Buildings	10-80 yrs	Straight line
Infrastructure Assets	40-80 yrs	Straight line
Operational Vehicles & Plant	3-25 yrs	Straight line

* Depreciation for operational dwellings is based on the Major Repairs Allowance.

2.5 Leases

Where assets are acquired under operating leases the leasing rentals are chargeable to the revenue account of those services that use the assets.

The City Council did not acquire any assets under a finance lease agreement in 2002/03. The value of the assets acquired under operating leases during the year and related liability for future rentals are shown in note 3 to the Consolidated Balance Sheet.

2.6 Deferred Charges

Deferred charges represent capital costs to be charged to revenue in future years which are not represented by tangible fixed assets. They include the balance of improvement grant payments not met from capital grants. This residual balance is written off to revenue in the year in which it is incurred.

2.7 Capital Receipts

Usable capital receipts from the disposal of assets are held in the Usable Capital Receipts Account until such time as they are used to finance other capital expenditure or set aside to repay debt. The balance (or 'reserved' element) of capital receipts is held in the Capital Financing Reserve.

2.8 Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS18 i.e. sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this are payments for energy and similar quarterly payments are charged at the date of meter reading rather than being apportioned between financial years. In addition, salaries are accounted for on a cash basis. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

Significant debtors include provision for government grant receivable from the Department of Works and Pensions (DWP) in respect of Benefits (£3.103m) and income receivable from the NDR pool (£2.568m). Creditor provisions have been provided for HRA subsidy payable to the ODPM (£2.265m) and money due to the Inland Revenue for income tax (£0.436m), a small amount is also due to Customs & Excise (£0.151m).

A bad debt provision, paragraph 2.11, has been established for the non-payment of outstanding debtors amounting to £2.523m.

2.9 Stocks and Work in Progress

Stocks are valued at the latest price paid. This is a departure from the requirements of the Code and SSAP9, which requires stocks to be shown at actual cost or net realisable value, if lower. Stock values reflect a provision for obsolescence. Work in progress is valued at cost.

2.10 Cost of Support Services

The City Council has adopted the principle of the full allocation of overheads as recommended by CIPFA.

(i) Support Services

The cost of the central services i.e. Executive Management, Legal & Democratic, Finance, Property, Customer & Information, Strategic & Performance and Member Support & Employee Services has been fully recharged to Service Departments on the basis of time allocations completed by members of staff.

The cost of the Civic Centre Building has been apportioned as follows:

Cost of Operation of Telephones within the Civic Centre Building	- Allocated to Business Units on the basis of the number of extensions and the previous year's usage as provided by the Call Logging equipment
Cost of the remainder of the Civic Centre Building	- Allocated to Business Units on the basis of floor area occupied.

(ii) Corporate and Democratic Core

The City Council has complied with the CIPFA Statement on the treatment of the costs of the Corporate and Democratic Core processes whereby these costs are held centrally and are not apportioned across the Council's services.

(iii) Any under or over recovery of support service charges is adjusted in the year of account.

2.11 Provisions

The Council maintains provisions for future liabilities or losses likely or certain to be incurred but whose amounts cannot be determined accurately. The main provisions at 31 March 2003 relate to bad and doubtful debts and insurances. Further details are available at Note 11 to the Consolidated Balance Sheet.

2.12 Reserves

The Council maintains certain reserves for the purpose of meeting liabilities other than those covered by provisions.

Some revenue reserves are set aside for specific purposes, while unallocated revenue reserves are not earmarked at the end of the accounting periods. Details of the reserves established by the Council are contained in the Statement of total Movement in Reserves (page 50).

Two further reserve accounts have been established in the Consolidated Balance Sheet:

- The Fixed Asset Restatement Reserve represents principally the balance of the surpluses or deficits arising from the periodic revaluation of fixed assets (see Note 12 to the Consolidated Balance Sheet).
- The Capital Financing Reserve represents amounts set aside from revenue resources or capital receipts for the repayment of external loans and certain other capital financing transactions.

Neither the Fixed Asset Restatement Reserve nor the Capital Financing Reserve can be used to fund expenditure.

2.13 Pension Costs

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for those employees. Further costs arise in respect of certain pensions paid to retired employees which include 'added years' on an unfunded basis.

These costs have been determined on the basis of contribution rates that are set to meet the liabilities of the Pension Fund, in accordance with relevant Government regulations. As a consequence of this the City Council does not comply with the accounting requirements of SSAP24 'Accounting for Pension Costs' and the liabilities included in the Balance Sheet are understated in respect of pension costs.

A new reporting requirement, FRS 17, has been introduced which will require Local Authorities to significantly alter the way in which pension assets and liabilities are reported. This will require a Pension Reserve to be established from 2003/04 onwards to record the relevant assets and liabilities of the pension fund.

The annual report of the Cumbria Pension Fund is available from Cumbria County Council, The Courts, Carlisle.

2.14 Investments

Investments are shown in the Consolidated Balance Sheet at cost. Interest receivable is credited to the Consolidated Revenue Account. Further detail can be found in Note 5 to the Balance Sheet.

2.15 Interest Charges

Interest payable on external loans is charged to the Asset Management Revenue Account. Internal interest payable is calculated by reference to the bank base rate.

2.16 Government Grants

Revenue grants are accrued and credited to the Consolidated Revenue Account in the same period in which the related revenue expenditure has been charged. Capital grants are credited to the Deferred Government Grant Account and written off to the Asset Management Revenue Account over the life of the asset, thereby off-setting the depreciation charge for the asset. Grants in respect of deferred charges are written down over the same period as the deferred charge.

2.17 Debt Redemption

Gains and losses associated with discounts and premia on the repurchase or early settlement of borrowing are recognised in the Consolidated Revenue Account in the period in which the repurchase or settlement is made. The exception to this is where the repurchase is coupled with a restructuring or financing of borrowing, and as a result does not substantially impact of the size of the overall loan portfolio or finance costs. Where one or more of these conditions is met the resulting premia or discount is deferred and amortised to revenue over the term of the replacement loan.

Amounts charged or credited to the HRA in respect of premia or discounts on the HRA share of debt subject to redemption is calculated in accordance with statutory provisions. Such amounts are charged or credited to the HRA over a period equal to the remaining terms of the replaced loan or 10 years whichever is less.

SECTION 3 - ACCOUNTING STATEMENTS

CONSOLIDATED REVENUE ACCOUNT

<u>2001/02</u> <u>Net</u> <u>Expend</u> <u>£000</u>	<u>Service</u>	<u>2002/03</u> <u>Gross</u> <u>Expend</u> <u>£000</u>	<u>2002/03</u> <u>Gross</u> <u>Income</u> <u>£000</u>	<u>2002/03</u> <u>Net</u> <u>Expend</u> <u>£000</u>
	<u>Continuing Operations</u>			
9,573	Cultural, Environmental & Planning Services	17,775	8,231	9,544
427	Highways, Roads & Transport	3,446	3,283	163
2,500	Housing General Fund	20,619	14,076	6,543
1,860	Central Services	2,705	1,886	819
2,249	Democratic Representation & Management	2,580	221	2,359
80	Unapportionable Central Overheads	2,797	0	2,797
<hr/> 16,689	Total Continuing Operations	<hr/> 49,922	<hr/> 27,697	<hr/> 22,225
	<u>Discontinued Operations</u>			
5,971	Services transferred to CHA	19,820	17,757	2,063
<hr/> 22,660	NET COST OF SERVICES	<hr/> 69,742	<hr/> 45,454	<hr/> 24,288
	<u>Other Items</u>			
233	Precepts paid to Parish Councils			247
-2,056	(Surplus)/Deficit from Trading Undertakings & Other Operations (including DSOs)			-1,942
-2,421	Interest receivable			-2,190
-4,989	Asset Management Revenue Account			-1,073
0	Gains/Losses on early repayment of borrowing			5,938
<hr/> 13,427	NET OPERATING EXPENDITURE			<hr/> 25,268
743	Surplus/(Deficit) from HRA Balances			-1,007
50	Contributions to DSO Reserves			0
-1,317	Contributions to/(from) Specified Reserves			858
0	Direct Revenue Financing			45
-16	Contributions to/(from) Capital Reserves			-15,635
33	Amortisation of Government Grants			68
0	Transfer to/(from) Major Repairs Reserve			1,235
<hr/> 12,920	AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS			<hr/> 10,832
-4,660	Precept demanded from the Collection Fund			-5,027
-5	Community Charge Surplus			0
-64	Council Tax Surplus			-72
-4,082	Revenue Support Grant			-3,831
-3,841	Contribution from Non-Domestic Rate Pool			-4,285
<hr/> 268	(SURPLUS)/DEFICIT FOR THE YEAR			<hr/> -2,383
5,578	Balance at beginning of the Year			5,310
-268	Surplus/(Deficit) for the Year			2,383
<hr/> <u>5,310</u>	Balance at end of the Year			<hr/> <u>7,693</u>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

This statement shows gross expenditure and income and net expenditure analysed by services and how this expenditure was financed. The statement includes recharges made between services including the allocation of support service costs.

3.1 Effect of Capital Accounting (General Fund)

In accordance with the CIPFA Accounting Code, capital charges totalling £2.859m have been charged in 2002/03 to service accounts for their use of fixed assets. A balancing total credit has been included in the Asset Management Revenue Account. In accordance with the Code this account has been charged with total external interest payable on borrowing and with provision for depreciation on the authority's fixed assets.

3.2 Depreciation

This has been provided on all vehicles, plant and equipment. Depreciation has been provided on the Council's other fixed assets in accordance with the 2002 SORP and the Best Value Accounting Code of Practice. The Council's depreciation policy is set out in note 2.4 on page 12.

3.3 Trading Operations

A number of Council Services are involved in a significant level of trading with third parties. The turnover and surplus/(deficit) of these services are shown below. The trading activities for the DSO and the Building Control function are shown on pages 32 and 22 respectively.

<u>Activity</u>	<u>Gross Income</u>	<u>Gross Expenditure</u>	<u>Surplus/ (deficit) 2002/03</u>	<u>Surplus/ (deficit) 2001/02</u>
	£	£	£	£
Corporate Properties	329,578	396,177	(66,599)	62,198
Industrial Estates	1,779,263	274,761	1,504,502	1,535,197
Market Airport	81,499 0	22,838 0	58,661 0	69,255 (79,325)
TOTAL	2,190,340	693,776	1,496,564	1,587,325

3.4 Asset Management Revenue Account

The transactions on the Asset Management Revenue are shown below. The balance on the account at a year end is charged/credited to the Consolidated Revenue Account. In 2002/03 £1.073m was credited to the Consolidated Revenue Account.

	<u>2002/03</u> £000	<u>2001/02</u> £000
<u>Income</u>		
Capital Charges (General Fund)	2,859	2,424
HRA Capital Charges	4,881	12,773
Amortisation of Grants & Contributions	68	33
<u>Expenditure</u>		
PWLB Premia	(64)	(80)
External Interest Charges	(3,470)	(4,034)
Depreciation and other amounts written off tangible fixed assets	(3,201)	(6,127)
Transfer to/(from) AMRA	<u>1,073</u>	<u>4,989</u>

3.5 Agency Functions

The City Council operates a Sewerage Agency function and the expenditure and income in 2002/03 was as follows:

	<u>2002/03</u> £000	<u>2001/02</u> £000
<u>Sewerage Agency</u>		
Expenditure	210	269
Income	<u>210</u>	<u>269</u>
	-	-

3.6 Publicity

Under Section 5 of the Local Government Act 1986 a local authority is required to keep a separate account of its expenditure on publicity. Set out below is the Council's spending on publicity.

	<u>2002/03</u> £000	<u>2001/02</u> £000
Recruitment Advertising	131	42
Tourism	542	565
Promotions & Marketing	48	78
	<u>721</u>	<u>685</u>

3.7 Section 1 of the Local Authorities Goods and Service Act 1970

The Council is empowered by this Act to provide goods and services to certain other public bodies. The main activity which has been undertaken in 2002/03 is work by the Commercial & Technical Services Business Unit for Government Agencies and Voluntary Bodies within the Carlisle District. The cost of the work in 2002/03 was £142,333 and all the costs were recovered except to the extent that work was incomplete at 31 March 2003 in which case the cost of the work will be recovered when completed.

3.8 Pension Costs

In 2002/03 the City Council paid an employer's contribution of £1,495,296 into the Cumbria County Council Pension Fund, representing 10.7% (2001/02 £1,528,377 and 10.9%) of pensionable pay. The contribution rate is determined by the Fund's Actuary based on a triennial actuarial valuation carried out at 31 March 2001, and having effect for the three years period commencing 1 April 2002. At 31 March 2001 the assets of the Fund amounted to 94% of the liabilities. In addition the City Council is responsible for all pension payments relating to unfunded added years benefits awarded by the City Council together with related increases. In 2002/03 these amounted to £492,691 representing 4.21% (2001/02 £334,227 and 2.85%) of pensionable pay. Details of pension costs associated with the LSVT process are summarised in note 10 to the HRA.

3.9 Minimum Revenue Provision

The authority is required by statute to set aside a Minimum Revenue Provision (MRP) for the redemption of external debt. The method of calculating the provision is defined by statute and the net amount charged to revenue in respect of 2002/03 was £217,250. This sum comprises the gross amount calculated (£805,637) offset by the permitted adjustment applicable to those authorities (including Carlisle) whose revenue account suffered adversely as a consequence of the Government's commutation of debt exercise in 1992. The current effect of this adjustment is to reduce the City Council's overall MRP in 2002/03 by £588,387.

3.10 Officers' Emoluments

The Accounts and Audit Regulations 2003 require that local authorities disclose details of emoluments for those employees whose remuneration in the financial year exceeds £50,000. Details of the Authority's officers whose remuneration exceeds £50,000 is set out below in bands of £10,000.

Between £50,000 and £59,999	1
Between £60,000 and £69,999	2
Between £70,000 and £79,999	0
Between £80,000 and £89,999	1

3.11 Members' Allowances

The Code of Practice on Local Authority Accounting requires that Local Authorities disclose details of allowances paid to elected members during the year. Details of allowances paid in 2002/03 with comparative figures for 2001/02 are as follows:

<u>Type of Allowance</u>	<u>2002/03</u> £000	<u>2001/02</u> £000
Basic Allowance	205	139
Special Responsibility Allowance	81	52
Attendance Allowance	<u>2</u>	<u>24</u>
	<u>288</u>	<u>215</u>

3.12 Related Party Transactions

The Council is required to disclose details of transactions with related parties. Related parties are generally either individuals or organisations which could exert direct or indirect control over the other party.

All Elected members and 102 of the Senior Officers of the City Council were asked to declare any direct financial relationship with the Authority for the financial year 2002/03. The response rate was 100%.

There were no material transactions relating to members or senior officers of the Authority during 2002/03.

- (i) Details of Government Grants are shown elsewhere in the Cash Flow Statement.
- (ii) The City Council's relationship with Kingmoor Park Properties Ltd is set out in Note 16 to the Consolidated Balance Sheet.
- (iii) The City Council's transactions with the Cumbria County Council Pension Fund are shown within Note 3.8 to the Consolidated Revenue Account.

3.13 Building Control

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – 'details of scheme for setting charges'. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

<u>Expenditure</u>	<u>Chargeable</u> £	<u>Non-Chargeable</u> £	<u>Total</u> £
Employee Costs	233,609	90,480	324,089
Transport Expenses	19,480	7,796	27,276
Supplies & Services	40,926	17,459	58,385
Central & Support services	<u>39,537</u>	<u>25,959</u>	<u>65,496</u>
Total Expenditure	333,552	141,694	475,246
Income			
Building Regulation Charges	411,229	0	411,229
Other income	<u>41</u>	<u>11,170</u>	<u>11,211</u>
Total Income	411,270	11,170	422,440
Surplus/(deficit) for Year	<u>77,718</u>	<u>(130,524)</u>	<u>(52,806)</u>

3.14 Section 137 Expenditure

Section 137 of the Local Government Act 1972 empowers local authorities, subject to various conditions and limits, to incur expenditure which is not covered by any other powers but which, in their opinion is in the interests of their area or any part of it, or all or some of its inhabitants. As a result of the Local Government Act 2000 the majority of the provisions of Section 137 have been repealed. However the power to incur expenditure under section 137(3) has been retained. The Council is permitted to spend £191,400 (100,739 population x £1.90). No expenditure was incurred in 2002/03 under s137 (3)

3.15 Exceptional Items:

3.15.1 Large Scale Voluntary Transfer

HRA transactions in respect of activities transferred to CHA during 2002/03 have been classified under the heading "Discontinued Operations" in accordance with CIPFA's Statement of Recommended Practice. Housing General Fund activities included within the Continuing Operations section of

the Consolidated Revenue Account include all other housing related services as specified by CIPFA's BVACOP analysed as follows:

	Expenditure £000	Income £000	Net £000
Contribution made towards set up costs of Carlisle Housing Association	2,500	0	2,500
LSVT Administrative and Incidental costs	1,312		1,312
Housing and Council Tax Benefits	14,609	13,476	1,133
Amortisation of deferred charges (See note 4 to Balance Sheet)	1,357		1,357
Other	841	600	241
	20,619	14,076	6,543

3.15.2 Unapportionable Central Overheads – Pension Costs

In accordance with the requirements of the Best Value Accounting Code of Practice (BVACOP), charges for added years and unfunded early retirement costs as well as the whole amount of any past service contributions to meet a pension fund deficit are included under '*Unapportionable Central Overheads*'. Accordingly the total of £2,797,000 charged in 2002/03 under this heading includes a total of £2,389,000 in respect of contributions (financed from the LSVT receipt) made to meet the pension fund deficit attributable to staff transferring from the Authority to CHA following completion of the LSVT process.

3.16 Contributions to/(from) Capital Reserves

The transactions relating to contributions made to and from the Capital Reserves are shown below.

<u>Item</u>	<u>£000</u>
Application of LSVT receipt re	
• Administrative and incidental costs of disposal	4,609
• Contribution towards Pension Fund deficit	2,389
Use of PCL to fund premia and early redemption of debt	5,938
Reversal of impairment losses	942
MRP net of depreciation	696
Utilisation of Large Projects Fund & Renewals Reserve	(296)
Reversal of deferred charges written off to CRA	1,357
Transfer to/(from) Capital Reserve	15,635

ACCOUNTING STATEMENTS

HOUSING REVENUE ACCOUNT (HRA)

	<u>2002/03</u>	<u>2001/02</u>
	<u>Actual</u>	<u>Actual</u>
	£000	£000
<u>Income</u>		
Dwelling Rents (gross)	11,474	16,364
Non Dwelling Rents (gross)	176	234
Charges for Services and Facilities	313	433
Contributions towards Expenditure	90	106
HRA Subsidy receivable	5,690	7,922
Housing Benefit Transfers	14	45
	<hr/>	<hr/>
Sub Total	17,757	25,104
<u>Expenditure</u>		
Repair and Maintenance	4,605	4,659
Supervision and Management	2,957	4,012
Rents Rates and Taxes	74	130
Rent Rebates	7,065	9,119
Bad Debt Provision	37	354
Cost of Capital Charge	2,594	7,700
Depreciation on Dwellings	1,346	3,992
Impairment of Fixed Assets	942	1,081
Debt Management Costs	30	28
	<hr/>	<hr/>
Sub Total	19,650	31,075
Net Cost of Services	<hr/>	<hr/>
	1,893	5,971
Transfer to/from AMRA	-2,461	-7,021
Amortised Premia and Discounts	64	80
Investment Income	-132	-227
	<hr/>	<hr/>
Net Operating Expenditure	-636	-1,197
Appropriations:		
HRA Set Aside (MRP)	408	454
Transfer to/(from) Major Repairs Reserve	1,235	0
	<hr/>	<hr/>
Surplus(-)/Deficit for year	1,007	-743
 <u>HOUSING REVENUE ACCOUNT BALANCE</u>		
Surplus at start of year	-4,397	-3,654
Surplus(-)/Deficit for the Year	1,007	-743
Surplus at end of Year	-3,390	-4,397

NOTES TO THE HOUSING REVENUE ACCOUNT (HRA)

1. Housing Stock

The Council undertook a large-scale voluntary transfer of its housing stock during 2002/03. This consisted of 7,174 dwellings being transferred to Carlisle Housing Association (CHA) on 9 December 2002 for £12.935m. A small number of dwellings were excluded from the transfer as they were situated on land retained by the City Council for redevelopment. These remaining properties are scheduled for demolition.

(i) Movements in Year

The movement on stock can be summarised as follows:

	<u>2002/03</u>	<u>2001/02</u>
Stock at 1 April	7,669	8,007
Less: RTB & Other Sales	(236)	(200)
Less: Demolitions	(160)	(138)
Less: Transfers to CHA	(7,174)	-
	<u>99</u>	<u>7,669</u>
Stock at 31 March		
Average Stock in Year	<u>5,311</u>	<u>7,838</u>

(ii) Balance Sheet Values

The balance sheet values for all HRA assets can be summarised as follows:

	1 April 2002 £000	31 March 2003 £000
<u>Operational Assets</u>		
Council Dwellings	117,514	70
Land & Buildings	1,549	156
Vehicles & Plant	<u>5</u>	<u>2</u>
Sub Total	119,068	228
<u>Non-Operational Assets</u>		
Surplus	2,988	1,086
Investment	<u>2,000</u>	<u>2,110</u>
TOTAL	124,056	3,424

Council dwellings were re-valued on an existing use social housing (EUV-SH) basis as at 1 April 2001 by external property consultants FDP Savills in accordance with the requirements of the HRA Accounting Practices Directions 2000, DETR guidance on stock valuation and Royal Institution of Chartered Surveyors (RICS) Valuation Manual. Use of the EUV-SH valuation basis reflects the vacant possession value of dwellings adjusted to reflect the secure nature of the associated tenancies.

At 1 April 2002 the vacant possession value of council dwellings included in the balance sheet (net book value of £117,514,000) was £199,176,000

Following the outcome of the tenants ballot in July 2002 in favour of transferring the Councils housing stock to a registered social landlord (Carlisle Housing Association) dwellings, covered by the transfer agreement were revalued in accordance ODPM guidelines by property consultants FDP Savills to their 'LSVT value' (tenanted market value) using the ODPMs single transfer model.

2. Major Repairs Reserve

The movement on the Major Repairs Reserve during 2002/03 can be summarised as follows:

	£000
Balance at 1 April 2002	1,016
Depreciation provided during year	1,346
Transfers to/(from) the HRA	<u>1,235</u>
MRA receivable	2,581
Payment to CHA	(1,750)
Amounts applied to fund Capital Expenditure	<u>(1,847)</u>
Balance at 31 March 2003	0

3. Capital Expenditure

	<u>2002/03</u>
	£000
Capital Expenditure incurred:	
Development Agreement (CHA)	73,798 *
Land	262
Houses	3,534
Other Property	<u>114</u>
	77,708
Financed by:	
Borrowing	818
Major Repairs Allowance/Reserve	1,847
Capital Receipts	75,053
Movements in unfinanced	<u>-10</u>
	77,708

* To minimise the VAT liability associated with enhancement works to transferred dwellings, and following receipt of expert legal and technical advice, the Council entered into a development agreement with CHA for improvement works totalling £73.8m net (£86.7m gross) to be carried out to the transferred stock. The value of this work (£73.8m) is included in the gross transfer value of £86.7m.

Payments on account of £73.8m (net) were made by the Authority during the year and financed from capital receipt in accordance with the provisions of Regulation 98 of the Local Authority (Capital Finance) Regulations 1997. Associated input VAT of £12.9m was recovered by the Authority during 2002/03.

Total gross capital receipts generated during 2002/03 from the disposal of HRA assets were as follows:

	£
Land	3,550
Houses	4,070,480
Other Property	200,750
Misc receipts	<u>14,959</u>
Total	4,289,739

This does not include the transfer receipt referred to in note 1.

4. Cost of Capital

Capital Charges calculated in accordance with the Item 8 Credit and Item 8 Debit (General) Determination are as follows.

	<u>2002/03</u> £000	<u>2001/02</u> £000
Capital Charge (6% of asset values)	2,594	7,700
Impairment Charge	942	1,081
Interest payable	<u>(1,075)</u>	<u>(1,760)</u>
	2,461	7,021

5. Depreciation/Impairment

The total depreciation charge in 2002/03 amounts to £1,346,177, all of which relates to operational assets. During the year a total of £941,640 has been charged to the HRA in respect of impairment losses on dwellings scheduled for demolition.

6. HRA Subsidy

Housing subsidy received represents the income required to finance the deficit on a notional HRA for the authority and is calculated in accordance with the subsidy determination issued by the Office of the Deputy Prime Minister. The total amount receivable for the year is £5,690,000 and can be broken down as follows:

	<u>2002/03</u> £000	<u>2001/02</u> £000
Management/Maintenance/Major Repairs	7,257	11,249
Charges for Capital	1,559	2,612
Rent Rebates	6,758	9,017
Other reckonable items	1	1
Tenant Participation Compacts	0	20
Resource Accounting	0	44
Guideline Rents	(9,882)	(15,018)
Interest on Receipts	<u>(3)</u>	<u>(3)</u>
TOTAL	5,690	7,922

7. Rent Arrears

Rent Arrears are as follows:

	<u>31 March 2003</u> <u>as % of</u> <u>Gross Rent Income</u> £000	<u>31 March 2002</u> <u>as % of</u> <u>Gross Rent Income</u> £000
Gross Arrears:		
Current tenants	0	609
Former tenants	200	533
HB Overpayments	<u>359</u>	<u>474</u>
	559	1,616
	4.38%	9.10%
Provision for bad and doubtful debts	(469)	(1,178)
Net Arrears	<u>90</u>	<u>438</u>

Current tenant arrears were transferred to CHA on 9 December 2002 under the terms of the contract. Arrears relating to former tenants and housing benefit overpayments remain the responsibility of the City Council. The bulk of these have been transferred to sundry debtor accounts. Payment for the current arrears will be received from CHA in three tranches also as set out under the terms of the contract.

8. Provision for Bad and Doubtful Debts

The provision for bad and doubtful debts has moved as follows:

	<u>£000</u>
Balance at 1 April 2002	1,178
Plus: Increased Provision	37
Less: Arrears Written Off/Transferred	<u>(746)</u>
Balance at 31 March 2003	<u>469</u>

9. Transfer to General Fund

Included in the total of £4,605,000 charged to the HRA in respect of Repairs and Maintenance costs is a credit of £592,000 relating to the re-apportionment of DSO surpluses attributable to the HRA.

10. LSVT receipt

10.1 Application of gross receipt

The gross value of the transfer receipt receivable from Carlisle Housing Association Limited (CHA) was £86.734m. Various pieces of legislation serve to dictate how this receipt should be accounted for and this is summarised below:-

	£000
Gross Valuation as per transfer agreement between Carlisle City Council and Carlisle Housing Association Limited (CHA)	86,734
Less: Reduction of capital receipt under Regulation 98 of the Local Authorities (Capital Finance) Regulations 1997 in respect of payments for capital development works (as per Development Agreement between Carlisle City Council and CHA)	(73,798)
Less: Reduction in capital receipt under Section 59 of the Local Government and Housing Act 1989, in respect of the Council's reasonable administrative costs of and incidental to the disposal and the financial assistance provided to CHA under section 25 of the Local Government Act 1988	(4,609)
Less: Contributions made towards the pension fund deficit attributable to staff transferring from Carlisle City Council to CHA	(2,389)
Reserved part of receipt set aside by the Council as provision to meet credit liabilities (amounts applied to fund premia incurred on redemption of housing debt) (see note 10.5)	<u>5,938</u>

Of the amounts referred to above a total the following amounts have been charged/(credited) to the HRA.

	£000
Administrative and incidental costs	170
Pensions costs past service contributions – contributions made towards pension fund deficits attributable to transferring staff	2,389
Premia payable on premature redemption debt	5,938
Total expenditure chargeable to the HRA	<u>8,497</u>
Amounts financed from LSVT receipt	(8,497)
Net cost to HRA	<u>0</u>

10.2 HRA Related Debt

HRA related debt at the point of transfer, calculated in accordance with guidance issued by ODPM was £17.986m. As part of the consent granted by ODPM for disposal of the Council's housing stock to CHA, the ODPM undertook to repay, in full, the HRA related debt held with the Public Works Loan Board (PWLB) at the time of transfer. This was however conditional upon the Council utilising any residual receipt from the sale of its stock to CHA (see Note 10.1) to discharge the premia incurred on redemption of the underlying borrowing, with any remaining receipt being used to reduce the principal element of that debt. The premium charged by the PWLB, and funded from the Authority's PCL balance, was £5.938m. Principal payments of £17.986m were met in full by the ODPM.

10.3 Pension Fund Deficit

At the time of the stock transfer the estimated actuarial valuation of the pension fund deficit, attributable to those staff transferring from Carlisle City Council to Carlisle Housing Association, was estimated at £4.1m. Of this amount £2.389m was funded from the proceeds of the transfer with the estimated residual balance of £1.711m to be met from future right to buy receipts and the deferral of the Council's rights under the transfer contract to share in those receipts (see note 10.4). The final actuarial valuation of the total pension fund deficit attributable to transferring staff has not yet been received. It is however currently anticipated that given the current levels of house sales the remaining deficit will be fully extinguished during 2003/04.

10.4 Preserved Right to Buy Receipts (PRTB)

As part of the stock transfer agreement, Carlisle Housing Association is liable to pay to the Council a sum calculated by way of agreed formula each year. This formula forms part of a detailed Right to Buy Claw-back agreement giving the Council the right to a share of the capital receipts generated from the subsequent sale of properties included in the transfer. Under the transfer contract the PRTB agreement runs for a period of 15 years from the date of transfer but will not come into force until the residual pension fund deficit has been fully discharged. (see note 10.3)

10.5 Gains and Losses on early repayment of borrowing

Premia and discounts charged or credited to revenue during the year were as follows.

	Amounts charged or (credited) to		
	HRA	General Fund	Total
	£000	£000	£000
Premia	6,029	0	6,029
Discount	(27)	0	(27)
Total	<u>6,002</u>	<u>0</u>	<u>6,002</u>
Amounts funded from PCL	(5,938)	0	5,938
Net Charge	<u>64</u>	<u>0</u>	<u>64</u>

ACCOUNTING STATEMENTS

SUMMARY DSO REVENUE AND APPROPRIATION ACCOUNT

REVENUE ACCOUNT

	<u>Turnover</u>		<u>Total Expenditure</u>		<u>Surplus/(Deficit)</u>	
	£000		£000		£000	
	<u>01/02</u>	<u>02/03</u>	<u>01/02</u>	<u>02/03</u>	<u>01/02</u>	<u>02/03</u>
Building Maintenance	6,977	7,469	6,116	6,756	861	713
Highways	1,782	1,602	1,738	1,510	44	92
Grounds-Contract	1,512	1,512	1,493	1,484	19	28
Building Cleaning	353	344	304	271	49	73
Car Park Management						
- Non Contract	351	362	307	334	44	28
Street Cleaning	887	872	835	783	52	89
Refuse Collection	958	1,064	940	1,050	18	14
	<u>12,820</u>	<u>13,225</u>	<u>11,733</u>	<u>12,188</u>	<u>1,087</u>	<u>1,037</u>

APPROPRIATION ACCOUNT

	£000	
	<u>2001/02</u>	<u>2002/03</u>
DSO Reserves at 1st April	538	512
Surplus for year	1,087	1,037
Contribution to General Fund	(150)	(350)
Contribution to Capital Reserve	(50)	(0)
Capital Expenditure	(26)	7
Surplus : Contribution to General Fund	(269)	(95)
: Contribution to Housing Revenue Account	(618)	(592)
DSO Reserves at 31st March	<u>512</u>	<u>519</u>

NOTES TO THE DSO REVENUE AND APPROPRIATION ACCOUNT

1. Reporting Compliance

The Local Government Act 1999 repealed the compulsory competitive tendering provisions of the Local Government Planning and Land Act 1980 with effect from 2 January 2000. Although there is no requirement to produce revenue accounts and financial objectives statements in 2002/03 the Chartered Institute of Public Finance and Accountancy (CIPFA) advocates publication of a summary DSO revenue and appropriation account in the 2002/03 Statement of Accounts. The statement conforms with the requirements of the CIPFA Accounting Code of Practice.

2. Operations

The City Council operates six defined categories of work under the Local Government Planning and Land Act 1980 and the Local Government Act 1988. The statement provides a financial summary of the operations in 2002/03.

3. Financial Objectives

Under the Financial Objectives Specification 1994 (DOE Circular 12/94) from 1994/95 DSOs are required to make a surplus on all defined activities' revenue accounts. This is after charging capital charges on all fixed assets utilised in carrying out the defined activities in accordance with the capital accounting requirements of the CIPFA Accounting Code and charging interest on the value of stock held for the use of the defined activities of the DSO. All six DSO trading activities achieved their required financial objectives in 2002/03.

4. Capital Charges Made to DSO Revenue Accounts in 2002/03

	£000
Depreciation	16
Notional Interest	<u>15</u>
Total Capital Charges	31

5. Redundancy Costs

In 2002/03 there were redundancy costs amounting to £6,500 (2001/02 £12,000).

ACCOUNTING STATEMENTS

THE COLLECTION FUND

INCOME AND EXPENDITURE ACCOUNT

2001/02 £000		£000	2002/03 £000
	<u>Income</u>		
27,397	Council Tax		30,020
26,565	Income from Business Ratepayers		23,593
3,817	Transfers from General Fund - Council Tax Benefits		4,071
0	Contribution Adjustment of Previous Years' Community Charge		0
<u>57,779</u>	Total Income		<u>57,684</u>
	<u>Expenditure</u>		
23,610	Precepts and Demands		
2,875	- Cumbria County Council	25,669	
4,660	- Cumbria Police Authority	3,239	
	- Carlisle City Council	<u>5,027</u>	
			33,935
26,389	Business Rate		
176	- Payments to National Pool	23,415	
	- Allowance for cost of NDR collection	<u>178</u>	
			23,593
-90	Bad and Doubtful Debts - Council Tax		
<u>142</u>	- Write offs	-123	
	- Provisions	<u>214</u>	
			91
5	Contribution		
	- Towards previous years' estimated Collection Fund Surplus		0
65	- Adjustment of previous years' Community Charge		72
-53	Movement on Fund Balance		-8
<u>57,779</u>	Total Expenditure		<u>57,683</u>
	<u>Collection Fund Balance</u>		
541	Fund Balance at 1 April		488
<u>-53</u>	Surplus/Deficit(-) for Year		<u>-8</u>
<u>488</u>	Fund Balance at 31 March		<u>480</u>

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund was established under the Local Government Finance Act 1988 but the operation of the fund was changed substantially with the introduction of Council Tax in April 1993 under the Local Government Finance Act 1992. The surplus or deficit on the Collection Fund is distributed between billing and precepting authorities on the basis of estimates made on the 15 January of the year end balance as at 31 March. The Collection Fund is operated on an accruals basis and the accounts are consolidated.

2. Income from Business Rate Payers

Non Domestic Rates is organised on a national basis. The Government specifies an amount (43.0p in 2001/02 and 43.7p in 2002/03) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NDR Pool administered by the Government. The Government redistributes the sums paid into the Pool back to Local Authorities' General Funds on the basis of a fixed amount per head of population.

The NDR income after reliefs and provisions of £23,592,505 was based on a total rateable value for the Council's area of £66,972,513 for the year (£66,527,922 in 2001/02).

3. Collection Fund Surpluses and Deficits

The surplus or deficit on the Collection Fund at the end of the year relating to Council Tax is required to be distributed to or made good by contributions from the City Council, Cumbria County Council or Cumbria Police Authority in a subsequent financial year. Any surplus or deficit on the Collection Fund relating to Community Charge items is carried forward to impact on the following year's Council Tax.

The surplus at 31 March 2003 of £480,919 relating to Council Tax.

4. Council Tax Base Calculation

This is shown overleaf.

CARLISLE CITY COUNCIL

COUNCIL TAX BASE CALCULATION 2002-03

	BAND A DISA	BAND A	BAND B	BAND C	BAND D	BAND E	BAND F	BAND G	BAND H
NO OF DWELLINGS IN VALUATION LIST 1ST DEC 2001		22,209	10,248	6,204	4,411	2,136	830	284	32
ADD ESTIMATED NO. OF ADDITIONAL PROPERTIES (Apportioned) 1ST DEC 2001 - 31ST MAR 2002		7	2	46	57	21	6	1	0
PROPERTIES TO BE DELETED. COMMERCIAL, EXEMPTIONS & DEMOLISHED 1ST DEC 2001 - 31ST MAR 2002		142	1	2	0	0	0	0	0
DEDUCT NO. OF PROPERTIES WHICH WILL BE EXEMPT		852	244	105	107	30	19	3	1
ADJUSTMENT FOR NO. OF PROPERTIES WHICH WILL FALL INTO LOWER BAND DUE TO DISABLED PERSONS	27	3	7	-4	-16	-9	-1	1	-8
BAND A DISABLED REDUCTION		0							
DEDUCT SINGLE PERSON DISCOUNTS AT 25%	5	10,673	3,105	1,590	825	312	117	32	1
DEDUCT DISCOUNTS AT 50% ON EMPTY & DISREGARDED PROPERTIES		903	230	150	87	36	28	20	8
MOD PROPERTIES IN LIEU		11	51	2	12	2	1	0	1
TOTAL NET OF DISCOUNTS EXEMPTIONS ETC.	25.75	18,116.25	9,171.75	5,668.50	4,107.25	2,024.00	773.75	265.00	19.75
BAND D EQUIVALENT	14.32	12,077.51	7,133.57	5,038.67	4,107.25	2,473.78	1,117.65	441.69	39.50

TOTAL RELEVANT AMOUNT (A)

32,443.94

ESTIMATED COUNCIL TAX BASE

31,795.10

A x Collection Rate @ 98%

ACCOUNTING STATEMENTS

CONSOLIDATED BALANCE SHEET

	<u>31 March</u>		
	<u>2003</u>		<u>2002</u>
	<u>£ 000</u>	<u>£ 000</u>	<u>£ 000</u>
Net Fixed Assets – Note 1			
Operational Dwellings	511		118,693
Operational Land & Buildings	20,241		26,508
Infrastructure Assets	1,221		1,147
Community Assets	972		972
Operational Vehicles & Plant	789		768
Non-Operational Investment	62,482		52,602
Non-Operational Surplus	<u>1,420</u>		<u>5,298</u>
Total Fixed Assets		87,636	205,988
Deferred Charges – Note 4	-		-
Long Term Investments	400		400
Long Term Debtors			
Transferred Debt – Cumbria CC	548		601
Mortgages and Other	<u>171</u>		<u>182</u>
		1,119	1,183
Total Long Term Assets		88,755	207,171
Current Assets			
Stocks & Work in Progress – Note 6	473		546
Debtors – Note 7	11,935		6,057
Payments in Advance	628		959
Investments – Note 5	40,572		42,828
Cash at bank and in hand	<u>120</u>		<u>128</u>
		53,728	50,518
Current Liabilities			
Creditors – Note 8	7,569		9,469
Temporary Loans	41		24
Receipts in Advance	<u>2,635</u>		<u>2,262</u>
		10,245	11,755
Net Current (Liabilities)/Assets		43,483	38,763
		<u>132,238</u>	<u>245,934</u>

	31 March		2002 £ 000
	2003 £ 000	£ 000	
Financed by:			
Long Term Borrowing – Note 9	33,516		50,304
Deferred Credits – Note 10	28		36
Provisions – Note 11	2,172		882
		35,716	51,222
Deferred Grant Account	3,624		3,463
Usable Capital Receipts – Note 13	1,616		1,896
Capital Grants Unapplied	-5		0
		5,235	5,359
Reserve Balances			
General Fund Unapplied	7,693		5,310
Direct Service Organisation	519		512
Repair & Renewals Reserve	2,972		2,625
Housing Revenue Account	3,390		4,397
Collection Fund	481		489
Large Projects Pool	1,110		1,222
Lanes Capital Fund	206		191
Residents Parking	-8		11
Building Control Function	150		73
Property Trading A/c	33		33
Public Open Spaces Contribution	4		4
HRA-Major Repairs Allowance	0		1,016
LSVT Warranties	488		
Capital Financing Reserve	123,203		28,647
Fixed Assets Restatement Reserve - Note 12	-48,954		144,823
		91,287	189,353
		<u>132,238</u>	<u>245,934</u>

Signed.....
AD BROWN - Head of Finance

Signed.....
Chair of meeting approving the accounts

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Movement in Fixed Assets

The table below set out the transactions relating to fixed assets in 2002/03.

	Operational Assets					Non-operational Assets				TOTAL
	Council Dwellings	Other Land and Buildings	Vehicles and Plant	Infrastructure	Community Assets	Investment	Development costs	Surplus	Payments on account	
	£000	£000	£000	£000	£000	£000	£000	£000	£0	
Valuation as at 31 March 2002	123,851	27,930	2,515	1,179	972	52,602	0	5,298	0	214,347
Accumulated Depreciation	(4,010)	(1,422)	(1,747)	(32)	0					(7,211)
Accumulated Impairment	(1,148)									(1,148)
Net Book Value of assets at 31 March 2002	118,693	26,508	768	1,147	972	52,602	0	5,298	0	205,988
Movement in 2002/03										
Additions	3,910	574	202	91	0	0	52	0	73,798	78,627
Disposals	(17,340)	(670)	0	0	0	(86)	0	(145)	(73,798)	(92,039)
Revaluations	(102,448)	(7,397)	2	0	0	11,889	(52)	(3,733)		(101,739)
Depreciation	(1,362)	(697)	(183)	(17)	0	0	0	0		(2,259)
Transfers	0	1,923	0	0	0	(1,923)	0	0		0
Impairments	(942)	0	0	0	0	0	0	0		(942)
Valuation as at 31 March 2003	1,642	21,319	2,720	1,270	972	62,482	0	1,420	0	91,825
Accumulated Depreciation	(35)	(1,078)	(1,931)	(49)	0	0	0	0	0	(3,093)
Accumulated Impairment	(1,096)	0	0	0	0	0	0	0	0	(1,096)
Net Book Value of assets at 31 March 2003	511	20,241	789	1,221	972	62,482	0	1,420	0	87,636

1.2 Bases of Valuation

From 1 April 1994 all of the City Council's fixed assets have been valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). Details of the valuation bases applied are set in note 2.2 (Accounting Policies).

Valuations are carried out via a rolling five year revaluation program with all assets being revalued at intervals of not more than five years. Existing valuations were carried out internally by D Atkinson ARICS and R Simmons ARICS and by external property consultants FDP Savills, Insignia Richard Ellis Limited and Sanderson, Townend, Gilbert.

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets:-

	Council Dwellings	Other Land & Buildings	Vehicles & Plant*	Non Operational Investment	Non Operational Surplus
	£000	£000	£000	£000	£000
Valued at current value in					
2002/2003	1,167	10,512	204	30,955	1,176
2001/2002	175	2,072	217	5,010	244
2000/2001	300	3,000	188	26,310	0
1999/2000	0	0	268	0	0
1998/1999	0	5,132	618	208	0
1997/98 & Prior	0	603	826	0	0
	1,642	21,319	2,321	62,483	1,420

*Vehicles and moveable plant are valued at historical cost as a proxy for current value

Excluded from the above analysis are community assets and infrastructure assets valued at historic cost.

An analysis of fixed assets includes:

	31 March 2003	31 March 2002
Council Dwellings	99	7,669
Civic Centre	1	1
Depots and Workshops	15	15
Off Street Car Parks	15	15
Leisure Centres	1	1
Swimming Pool	1	1
Museums	2	2
Parks & Recreation Grounds	250 ha	250 ha
Market	1	1
Cemeteries	3	3
Crematorium	1	1
Industrial Units	97	97
Community Centres	12	12
Industrial Estates	8	8
	(242 sites)	(242 sites)

2. Capital Expenditure

The main items of capital expenditure in 2002/03 were:

	£000
Council Dwellings	3,910
Millennium Gallery	372

Significant budget commitments for future capital expenditure contracted for as at 31 March 2003 were:

	£000
Improvement Grant Commitments	191
Millennium Gallery	107
Development agreement with CHA	73,798

Capital Expenditure in 2002/03 was financed as follows:

<u>Capital Expenditure</u>	£000	<u>Financed by:</u>	£000
Operational Assets	4,777	Credit approvals	1,232
Non-operational assets	52	Capital Receipts	75,504
Deferred Charges	1,511	MRA	1,847
		Grants	383
CHA development agreement	73,798	Reserves	296
		Revenue	45
		Unfinanced	831
	80,138		80,138

3. Leases

Six vehicles and items of plant were acquired through operational leases in 2002/03. Total operating lease rentals paid in 2002/03 amounted to £801,604. At 31 March 2003 the annual commitment under operating lease and contract hire agreements was as follows:

<u>On leases expiring</u>	<u>Leased Cars</u>	<u>DSO Operating leases</u>	<u>DSO Contract Hire</u>	<u>Other leases</u>	<u>Total</u>
	£	£		£	£
Within 1 year	10,523	82,873	63,827	41,760	198,983
2 – 5 years	110,476	114,400	3,990	15,416	244,282
After 5 years	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Total	<u>120,999</u>	<u>197,273</u>	<u>67,817</u>	<u>67,176</u>	<u>453,265</u>

4. Deferred Charges

	<u>Bal at</u> <u>1.4.02</u> £000	<u>Expenditure</u> £000	<u>Grants</u> <u>Received</u> £000	<u>Amounts</u> <u>Written Off</u> £000	<u>Bal at</u> <u>31.3.03</u> £000
Other Improvement Grants	-	700	-	(700)	-
	:	<u>811</u>	<u>(154)</u>	<u>(657)</u>	:
	:	<u>1,511</u>	<u>(154)</u>	<u>(1,357)</u>	:

Any balance shown in the accounts in respect of deferred charges should reflect a continuing benefit to the authority from such charges. The balance on this account was therefore written off in 2002/03 in accordance with this principle.

5. Temporary Investments

Investments are in respect of the temporary use of revenue balances and the investment of unapplied capital receipts. Temporary investments at 31 March were as follows:

	<u>31 March</u>	
	<u>2003</u> £000	<u>2002</u> £000
City of Carlisle Investment Fund	15,044	14,332
Notice & Fixed Term Money Market Deposits	<u>25,528</u>	<u>28,496</u>
Total	<u>40,572</u>	<u>42,828</u>

The City of Carlisle Investment Fund is a managed Fund set up to invest accumulated capital receipts and other balances held by the City Council. Investment is confined to gilt-edged securities and other instruments where security of capital can be guaranteed. A similar principle is followed regarding other investments made by the City Council. At 31 March 2003, the market value of the Investment Fund was £15,043,957.

6. Stocks and Work in Progress

	<u>31 March</u>	
	<u>2003</u> £000	<u>2002</u> £000
Work in Progress	279	356
Stocks: DSO	77	72
Other	<u>117</u>	<u>118</u>
	<u>194</u>	<u>190</u>
Total	<u>473</u>	<u>546</u>

7. <u>Debtors</u>	<u>31 March</u>	
	<u>2003</u> £000	<u>2002</u> £000
Amounts falling due in one year:		
Government Departments	5,719	514
Other Local Authorities	915	1,077
Local Taxpayers	2,637	2,868
Housing Rents	200	1,191
Sundry Debtors	<u>4,945</u>	<u>3,576</u>
	14,416	9,226
Provision for doubtful debts	<u>(2,523)</u>	<u>(3,220)</u>
	11,893	6,006
Amounts falling due after one year:		
Car Loans	42	51
	<u>11,935</u>	<u>6,057</u>

8. <u>Creditors</u>	<u>31 March</u>	
	<u>2003</u> £000	<u>2002</u> £000
Other Local Authorities	233	313
Government Departments	3,209	4,540
Sundry Creditors	<u>4,127</u>	<u>4,616</u>
	<u>7,569</u>	<u>9,469</u>

9. <u>Long Term Borrowing</u>	<u>Range of Interest Rates Payable</u> %	<u>Total Outstanding at 31 March</u>	
		<u>2003</u> £000	<u>2002</u> £000
<u>Sources of loan</u>			
Public Works Loans Board	4.0-10.25	18,415	35,200
Money Market	11.85	-	0
Local Bonds & Mortgages	5.75-6.75	101	104
City of Carlisle Stock Issue	8.785	<u>15,000</u>	<u>15,000</u>
		<u>33,516</u>	<u>50,304</u>

An analysis of loans by maturity is:

	£ 000
Maturing within 1 year	5,603
Maturing within 1-2 years	627
Maturing within 2-5 years	11
Maturing within 5-10 years	856
Maturing in more than 10 years	<u>26,419</u>
	<u>33,516</u>

10. Deferred Capital Receipts

Deferred Capital Receipts of £28,000 are amounts derived from the sale of assets which will be received in instalments over agreed periods of time. They arise principally from mortgages on the sale of Council Houses, which form the main part of mortgages under long term debtors.

11. Provisions

	<u>1 April</u> <u>2002</u> £000	<u>Arising</u> <u>In Year</u> £000	<u>Applied</u> <u>In Year</u> £000	<u>31 March</u> <u>2003</u> £000
Cemeteries Perpetuity Fund	86	3	(3)	86
Public Liability Claims (a)	615	588	(0)	1,203
Other Provisions	<u>181</u>	<u>733</u>	<u>(31)</u>	<u>883</u>
	<u>882</u>	<u>624</u>	<u>(34)</u>	<u>2,172</u>

(a) At 31 March 2003 the estimated gross value of claims made against the Authority in respect of public liability, employers liability, motor and other claims was £1,202,945. Of this amount £687,485 is expected to be reimbursed through insurance and other third party claims.

Other Provisions

Included within this heading is the sum of £35,000 (2001/02 £33,200) in respect of anticipated losses in 2003/04 on work commenced in 2002/03 but not completed at 31 March 2003, together with provision for future commitments and anticipated items of expenditure incurred on work undertaken during 2002/03.

A further £78,000 (2001/02 £76,000) comprises the balances accrued in various bequests that have been made to the City Council.

During 2002/03 third party funds held by the authority in relation to Community Centres were repaid. The Community Centres have each obtained trust status.

Fund	Fund b/fwd £	Advance from City Council £	Fund c/fwd £
Harraby CC	3,126	(3,126)	0
Longtown CC	5,465	(5,465)	0
Currock CC	2,557	(2,558)	0
Total	11,148	(11,149)	0

12. Fixed Asset Restatement Reserve

	<u>2002/03</u> £000	<u>2001/02</u> £000
Balance at 1 April	144,823	139,665
Revaluation/Devaluation of Fixed Assets in Year		
General Fund	4,357	5,067
Housing Revenue Account	(106,095)	4,862
Disposal of Fixed Assets		
General Fund	(86)	(672)
Housing Revenue Account	<u>(91,953)</u>	<u>(4,099)</u>
Balance at 31 March	<u>(48,954)</u>	<u>144,823</u>

13. Usable Capital Receipts

These are capital receipts which have not yet been used to finance capital expenditure or to repay debt. Under the provisions of the 1989 Local Government and Housing Act, local authorities are required from 1st April 1990 to reserve a specified proportion of their unapplied capital receipts as a provision against credit liabilities. This requirement applies to both receipts held at 1st April 1990 and any receipts generated thereafter as set out below.

	<u>2002/03</u> £000	<u>2001/02</u> £000
Balance at beginning of year	1,896	751
Capital Receipts received in year (net of grants repayable)	<u>91,349</u> 93,245	<u>4,494</u> 5,245
Less Reserved Proportion including Cover For Credit Arrangements	(9,127)	(2,503)
Applied to meet LSVT costs	(6,998)	
Applied during year to finance capital expenditure	<u>(75,504)</u>	<u>(846)</u>
Balance of Usable Capital receipts	<u>1,616</u>	<u>1,896</u>

During the year £3,998,049 was received from Council House RTB Sales, net of administration costs.

14. Contingent Liability

(i) During 1992/93 the City Council entered into a joint scheme with Home Housing Association to secure the development of two sites at Heysham Nursery and Gelt Road, Brampton for houses to rent. Home Housing Association have raised an initial tranche of £65 million of stock and raised a further £35 million of stock which will mature in 2037. In order to enable Home Housing Association to raise private finance from institutional investors all participating Authorities are required to enter into a standard form of Guarantee in which they jointly and severally guarantee the loan stock raised by Home Housing Association to fund the development programme. There were 15 Authorities participating in the first tranche and a further 14 Authorities including Carlisle joined in tranche 2 of the scheme. The total liability to be guaranteed by participating authorities will be £100 million. This will continue in force until 2037 when the loan stock falls due to be repaid. The strict liability of each Authority under guarantee would be £100 million and because the liability is joint and several Authorities would obviously not be prepared to expose themselves to the risk, however remote, of having to meet the full liability of the borrowing under their individual guarantee. Accordingly there is to be a Counter Indemnity and Contribution arrangement whereby each participating Authority undertakes to reimburse any other Authority or Authorities paying more than their proportionate share of the guarantee. An Authority's proportionate share is determined by reference to the estimated development expenditure in that Authority's area. If the guarantee were called in the worst situation for the City Council would be that once it had recovered any contribution from other Authorities it would be left to fund no more than the cost of the development in its own area. The guarantee figure as at 26 November 1996 was £2,299,000. This cost would be offset wholly, or partly, by the sums recovered from repossessing the units from Home Housing Association and selling them on.

(ii) On 30th September 1992, the Council's Insurers, MMI Ltd, announced that it has ceased taking new business and issuing renewals and had placed a moratorium on claims payments. On 6th October 1992 MMI resumed the full payment of claims and on 1st April 1993 the assets and goodwill were taken over by Zurich Municipal but not the liabilities. There are no outstanding claims as at 31 March 2003, however the City Council may still have a liability under the Scheme of Arrangement if there is not a solvent 'run-off'. However, the report and accounts for the year to 31 December 2001 point increasingly to a solvent run off and the company is exploring ways in which its outstanding liabilities can be transferred to another insurer in return for a premium so that the company can be wound up.

(iii) On 9 December 2002 the City Council completed the transfer of its housing stock to Carlisle Housing Association (CHA). Under the terms of the transfer the City Council is committed to providing, from the date of transfer, certain environmental and non environmental warranties in favour of CHA and lenders to the Association for periods of 25 years and 18 years respectively. Insurance cover has been put in place for the environmental warranties for an initial period of 12 years and an earmarked reserve of £292,000 established to meet costs (insurance premiums) relating to the remaining 13 year period

(years 13 to 25). After taking specialist advice non-environmental warranties provided are not covered by existing insurance arrangements. An earmarked reserve of £166,000 has instead been set up to meet costs associated with any future claims. In the period from transfer to 31 March 2003 the Authority has received no claims in respect of either of environmental or non environmental warranties.

15. Provision for Credit Liabilities (Memorandum)

Under the 1989 Local Government and Housing Act, local authorities are required to set up a provision for credit liabilities. These are sums set aside for the redemption of debt and comprise the reserved proportion of capital receipts (see Note 14) and amounts set aside from revenue for this purpose:

	<u>2002/03</u>
	£000
At 1 April 2002	27,528
Capital Receipts reserved during 2002/03	<u>9,127</u>
	36,655
PCL applied to finance premia incurred on early redemption of borrowing	(5,938)
Minimum Revenue Provision Charged to Revenue Accounts:	
General Fund	416
Housing Revenue Account	412
Commutation Adjustment	<u>(588)</u>
	240
Provision for Credit Liabilities at 31st March 2003	<u>30,957</u>

16. Investment in Companies

At 31 March 2003, the City Council retains a shareholding investment of £400,000 in Kingmoor Park Properties Ltd (KPP Ltd) (5% of the Company's issued share capital). This can be repaid on or after 15 March 2004 on a valuation basis.

17. Disclosure of Net Pensions Assets/Liabilities

As part of the terms and conditions of employment of its officers, the City Council offers retirement benefits. Although these will not become payable until relevant employees retire, the Council has a commitment to make the payments that should be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme as administered by Cumbria County Council. This is a funded scheme which means that both the Council and employees, who are members of the Scheme, pay contributions into a fund independent of the Authority's own assets. The contributions are calculated at a level estimated to balance the pension liabilities with investment assets. The scheme is a 'defined benefits scheme' with benefits payable being determined independently of contributions paid to the fund and the investment performance of the underlying scheme assets. During 2002/03, pension costs have been charged to the Consolidated Revenue Account, on the basis of contributions payable for the year to the Cumbria County Council Pension Scheme, (based on an actuarial valuation for 31 March 2001), and the pensions payable in the year to retired officers. However, at 31 March 2003, the Council had the following overall assets and liabilities for pensions, which have not been included in the balance sheet:

	£000 <u>31 March</u> <u>2003</u>	£000 <u>31 March</u> <u>2002</u>
Estimated liabilities in Scheme	62,943	65,200
Estimated assets in Scheme	<u>47,359</u>	<u>67,000</u>
Net assets/(liabilities)	<u>(15,584)</u>	<u>(1,800)</u>

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. They have been assessed by an independent firm of actuaries. The main assumptions used in their calculations are:

	% <u>2002/03</u>	% <u>2001/02</u>
Rate of Inflation	2.5	2.5
Rate of Increase in Salaries	4.0	4.0
Rate of increase in Pensions	2.5	2.5
Rate of discounting Scheme Liabilities	6.0	6.0

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments and consist of the following categories by proportion:

	%	Expected Return
Equity Investments	61.0	7.5%
Government Bonds	23.4	4.5%
Bonds	0.0	5.4%
Property	8.4	6.5%
Other Assets	7.2	3.75%
	<u>100</u>	

The movement on the net pension liability for the year to 31 March 2003 is as follows:

	£000
Net Pensions liability at 1 April 2002	(1,800)
Movements in the year:	
• Current service cost	(1,857)
• Employers contributions payable to scheme	1,772
• Retirement benefits payable to pensioners	0
• Past service cost/curtailment cost	1,543
• Interest cost	(3,991)
• Expected return on assets in the scheme	4,705
• Actuarial gains/(losses)	<u>(15,956)</u>
Net Pensions liability at 31 March 2003	(15,584)

The actuarial gains can be analysed into the following categories, measure as absolute amounts and as a percentage of assets or liabilities at March 2003:

	£000	%
Differences between the expected and actual return on assets	(15,956)	33.7%
Differences between actuarial assumptions about liabilities and actual experience	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	0	0

18. Post Balance Sheet Events

Following the first phase of the LSVT process on 9 December 2002, the second phase saw the transfer of a further 140 staff from the Councils building maintenance function to CHA. This phase was completed on 1 October 2003.

The Pension fund liability attributable to transferring staff has not yet been received from the Actuary. However it is envisaged that given the current levels of house sales any further liability will be fully extinguished during 2003/04.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Balance 1.4.02 £000	Net Surplus /Deficit for year £000	Value of Disposed Assets £000	Revaluation of Fixed Assets £000	Capital Receipts £000	Capital Receipts (reserved portion) £000	Capital Grants Receivable £000	Financing of Capital Expenditure £000	Transfers/ Others	Balance 1.4.03 £000
OTHER RESERVES										
Fixed Asset Restatement	144,823	-	(92,039)	(101,738)	-	-	-	-		(48,954)
Capital Financing	28,647	(8,509)	-	-	-	9,127	-	77,351	16,587	123,203
Useable Capital Receipts	1,896	(6,998)	-	-	91,349	(9,127)	-	(75,504)		1,616
Capital Grants and Contributions U/A	0	(5)	-	-	-	-	229	(229)		(5)
Government Grants Deferred	3,463	(68)	-	-	-	-	-	229		3,624
CAPITAL RESERVES										
Lanes Capital Fund	191	15	-	-	-	-	-	-		206
Repair & Renewals Fund	2,625	347	-	-	-	-	-	-		2,972
REVENUE RESERVES										
Collection Fund	489	(8)	-	-	-	-	-	-		481
HRA	4,397	(1,007)	-	-	-	-	-	-		3,390
DSO	512	7	-	-	-	-	-	-		519
General Fund	5,310	2,383	-	-	-	-	-	-		7,693
Large Projects Pool	1,222	(112)	-	-	-	-	-	-		1,110
Residents Parking	11	(19)	-	-	-	-	-	-		(8)
Building Control Function	73	77	-	-	-	-	-	-		150
Property Trading A/c	33	-	-	-	-	-	-	-		33
Public Open Spaces	4	-	-	-	-	-	-	-		4
LSVT Warranties	-	488	-	-	-	-	-	-		488
Major Repairs Allowance	1,016	1,235	-	-	-	-	-	(1,847)	(404)	0
	194,712	(12,174)	(92,039)	(101,738)	91,349	-	229	0	16,183	96,522

CONSOLIDATED CASH FLOW STATEMENT

<u>2001/02</u>		<u>2002/03</u>	
£000	£000	£000	£000
REVENUE ACTIVITIES			
<u>Expenditure</u>			
19,544 Paid on or on behalf of employees	21,608		
13,740 Other operating costs	18,103		
6,196 Housing Benefits	9,398		
22,689 NNDR Payments to the National Pool	28,519		
<u>26,718</u> Precepts paid	<u>29,155</u>		
88,887		106,783	
<u>Income</u>			
-11,125 Rents (after rebates)	-9,106		
-27,070 Council Tax/Community Charge	-29,785		
-26,126 Non-domestic rate income	-24,602		
-4,082 Revenue Support Grant	-3,831		
-8,550 Housing Subsidy	-7,418		
-10,654 Other Government Grants	-10,602		
-9,364 Cash received for Goods & Services	-10,216		
<u>-3,841</u> NNDR Receipts from the National Pool	<u>-4,285</u>		
-100,812		<u>-99,845</u>	
-11,925 Revenue Activities Net Cash Flow			6,938
SERVICING OF FINANCE			
<u>Expenditure</u>			
4,146 Interest paid	3,979		
Premia paid on early redemption of borrowing	5,938		
		9,917	
<u>Income</u>			
<u>-3,256</u> Interest received	-2,441		
890 Servicing of Finance Net Cash Flow		<u>-2,441</u>	7,476

<u>2001/02</u> £000	£000	<u>2002/03</u> £000	£000
CAPITAL ACTIVITIES			
<u>Expenditure</u>			
6,146	Purchase of Fixed Assets	4,697	
1,083	Other Capital Payments	2,579	
<u>0</u>	Purchase of Long Term Investments	<u>0</u>	
7,229			7,276
<u>Income</u>			
-4,487	Sale of Fixed Assets	-17,514	
-568	Capital Grants received	-583	
<u>-1,872</u>	Other Capital Receipts	<u>-114</u>	
-6,927			<u>-18,211</u>
<u>302</u>	Capital Activities Net Cash Flow		<u>-10,935</u>
	Net Cash (Inflow)/Outflow		
-10,733	before Financing		3,479
MANAGEMENT OF LIQUID RESOURCES			
	Net Increase/(Decrease) in short-term		
10,270	deposits		-3,607
FINANCING			
<u>Expenditure</u>			
5,356	Loans repaid	4,406	
<u>0</u>	Principal element of finance leases	<u>0</u>	
5,356			4,406
<u>Income</u>			
-4,250	New loans raised	-5,600	
<u>0</u>	New short term loans	<u>-21</u>	
-4,250			<u>-5,621</u>
<u>1,106</u>	Financing Net Cash Flow		<u>-1,215</u>
<u>643</u>	Net (Increase)/Decrease in Cash		<u>-1,343</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement summarises for 2002/03 the inflows and outflows of cash to and from the Council arising from transactions with third parties for revenue, capital and all other purposes.

1.Reconciliation of Revenue Account Surplus to Net Cashflow

Revenue cashflows can be found in the Revenue Account adjusted as follows:

<u>2001/02</u> £000	£000	<u>2002/03</u> £000
268 (Surplus)/Deficit for the year	-2,383	
268		-2,383
Non-cash transactions		
-352 Minimum Revenue Provision	-217	
0 Bad Debt Provision	0	
-1,750 Contribution to Reserves	12,034	
-91 Amortisation of Premia/Discounts	-6,029	
-3,991 Depreciation (Housing Revenue Account)	-1,346	
-6,184		4,442
Items on accruals basis		
175 Increase/(decrease) in stocks	-73	
-1,327 Increase/(decrease) in debtors	5,770	
-3,254 (Increase)/decrease in creditors	435	
-4,406		6,132
Items shown elsewhere in the Statement		
-4,035 Interest payable	-3,470	
2,432 interest receivable	2,217	
-1,603		-1,253
<u>-11,925</u> Net Cash Flow from Revenue Activities		<u>6,938</u>

2. Reconciliation of Cash Flow to Net Debt

A reconciliation of cash flows to the Council's net debt is as follows:

<u>2001/02</u> £000	<u>2002/03</u> £000
-643 Increase/(Decrease) in cash	1,343
10,270 Cash outflow from increase in liquid resources	-3,607
1,106 Cash outflow from (increase)/ decrease in debt	-1,215
<u>0</u> Decrease in debt relating to a non-cash item (note a)	<u>17,986</u>
<u>10,733</u> Movement in Net Debt	<u>14,507</u>
-18,105 Net debt at 1st April	-7,372
-7,372 Net debt at 31st March	7,135

Note a - following transfer of the Authority's housing stock to CHA PWLB borrowing of £17,986,000 attributable to transferred stock was repaid by means of a direct one-off payment by the Office of the Deputy Prime Minister to the Public Works Loans Board.

3. (Increase)/Decrease in Financing and Liquid Resources

	Net debt 31/03/02 £000	Movement in year £000	Net debt 31/03/03 £000
Cash in hand & at bank	128	-8	120
Bank overdraft	0	0	0
Overnight money market deposits	481	1,351	1,832
	<u>609</u>	<u>1,343</u>	<u>1,952</u>
Debt			
PWLB	-35,200	16,785	-18,415
Money Market	0	0	0
Local Bonds & Mortgages	-104	3	-101
Stock Issue	-15,000	0	-15,000
	<u>-50,304</u>	<u>16,788</u>	<u>-33,516</u>
Other Borrowing	-24	-17	-41
	<u>-50,328</u>	<u>16,771</u>	<u>-33,557</u>
Short Term Investments	42,347	-3,607	38,740
	<u>-7,372</u>	<u>14,507</u>	<u>7,135</u>

4. Liquid Resources

Liquid resources include certificates of deposit, government securities and other short term cash deposits.

5. Analysis of other Government Grants

<u>2001/02</u> £000		<u>2002/03</u> £000
	Rent Allowance Grant	
10,030	Council Tax Benefit Grant	10,337
	Housing Benefit Administration	
0	Countryside Commission	0
624	Other	265
0	Single Regeneration Budget	0
<u>10,654</u>		<u>10,602</u>

6. LSVT Disposal

	£000	£000
Gross Contract Value	86,775	
Less payments under development agreement	<u>-73,798</u>	12,977
Proceeds from RTB sales of Council dwellings		3,998
Other asset disposals		<u>539</u>
Total		17,514

Cash flows associated with the Authority's contributions towards the pension fund deficit attributable to staff transferring to CHA following the LSVT exercise are included under cash flows 'Paid to or on behalf of employees'.

Other cash flows associated with the LSVT transfer, including contributions made towards the set up costs of CHA and the Authority's own administrative costs of and incidental to the transfer, are included under 'Other Operating Cash payments'.

**SECTION 4 - STATEMENT OF RESPONSIBILITIES FOR THE
STATEMENT OF ACCOUNTS**

The Authority's Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statements of accounts.

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2003.

In preparing this statement of accounts, the Head of Finance has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Head of Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

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Head of Finance

Date: 14 August 2003

SECTION 5 - STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

This statement is given in respect of the statement of accounts for Carlisle City Council. I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based upon a framework of regular management information, financial procedure rules, contract procedure rules, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:

- comprehensive budgeting systems;
- regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against the forecasts;
- clearly defined capital expenditure guidelines; and
- as appropriate, formal project management disciplines.

The internal audit function, reports directly to me and carries out its work in line with the approved Audit Plan which has been produced based upon a risk assessment of activities within the Council. Internal Audit produces a written report on the completion of each audit review. The reports contain an audit opinion and key findings together with an agreed action plan for improvement, where appropriate. The reports are provided to the relevant Head of Service. The Audit Manager provides a quarterly management report on progress against the annual audit plan to the Head of Finance. In addition the Audit Manager produces an Annual Internal Audit Final report detailing the overall performance and activity of the section. This is submitted to the Council's Corporate Resources Overview and Scrutiny Committee, which acts as the Council's Audit Committee. The audit function provides an independent review of the adequacy and effectiveness of the system of internal financial control and is governed by the Accounts and Audit Regulations 2003.

My review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the Council;
- the work of the internal auditors as described above;
- the external auditors in their annual letter and other reports.

I consider that there are no significant identified weaknesses in the system of internal financial control.

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Head of Finance

Date: 14 August 2003